



# Montana Teachers' Retirement System



**Employers'  
Retirement  
Termination Pay**

# TERMINATION PAY DEFINITION

Termination pay includes any form of severance pay which could include:

- Vacation Pay
- Sick Leave
- An amount provided under an early termination incentive plan, or other payments contingent on a TRS member terminating employment, being paid upon termination and retirement.



Upon retirement, TRS members can include termination pay in the calculation of their Average Final Compensation (AFC) and pay an additional employee contribution to TRS to fund an increase in their monthly retirement benefits.



# RETIREMENT TERMINATION PAY FORM

Upon termination and retirement, TRS members eligible for termination pay must fill out a 'Retirement Termination Pay' form.



The 'Retirement Termination Pay' form is found in each retiring member's 'Retirement Application Packet.'

The retiring member is instructed to complete the 'Member Information' section of the form and forward the form to you, the employer.

The form must be retained in your office until the retiring TRS member has been fully terminated, all wages have been paid, and the termination pay amount has been determined and is ready to be processed. As the reporting agent, it is your responsibility to submit the properly completed form to TRS.



# RETIREMENT TERMINATION PAY FORM, Cont.

After the retiring member has been terminated, please return the 'Retirement Termination Pay' form and the 'Retirement Termination Pay Calculator' screen shot to TRS at least one week prior to submitting your monthly contribution report which contains the employee and employer termination pay contributions due to TRS. This will give TRS the processing time necessary to minimize interruptions when validating and submitting your monthly contribution report.

The employee and employer contribution due on termination pay must be remitted to TRS by the 15<sup>th</sup> of the month following the member's date of termination.



# RETIREMENT TERMINATION PAY FORM

## MEMBER INFORMATION

The retiring member must provide their personal information. In addition, they must indicate their intention relative to the use of termination pay in the calculation of their monthly retirement benefit, if applicable.

|  |   |                        |              |
|--|---|------------------------|--------------|
| <b>MEMBER INFORMATION</b> - PLEASE TYPE OR PRINT LEGIBLY IN DARK INK AND FORWARD TO YOUR EMPLOYER.   |   |                        |              |
| First _____  | Middle _____  | Last _____             | Suffix _____ |
| Printed Name   |   |                        |              |
| _____  | _____   | X X X - X X - _____    |              |
| Area Code and Telephone Number   | Date of Birth   | Social Security Number |              |
| INSTRUCTIONS: Indicate Option 1, 2, or 3 to advise the Montana Teachers' Retirement System (TRS) how you wish your termination pay to be used in the calculation of your monthly retirement benefit. |   |                        |              |
| I hereby elect termination pay option: Option 1 <input type="checkbox"/> Option 2 <input type="checkbox"/> Option 3 <input type="checkbox"/>   |   |                        |              |
| <input type="checkbox"/>   | I have signed the 'Termination Pay – Irrevocable Election Form', at least 90 calendar days prior to my termination of employment, to allow the employee contribution due on termination pay to be remitted as tax-deferred. |                        |              |
| <input type="checkbox"/>   | I have <b>not</b> signed the 'Termination Pay – Irrevocable Election Form'. I understand I must remit a personal payment representing the employee contribution due the TRS.  |                        |              |
| Member's Signature _____   |   | Date _____             |              |

# RETIREMENT TERMINATION PAY FORM EMPLOYER CERTIFICATION

As the employer, you must properly complete the 'Employer Certification' section of the 'Retirement Termination Pay' form once the retiring member has been fully terminated.

Once the appropriate sections have been completed, we ask that you certify that the information is complete and sign and date the form.

When the Retirement Termination Pay' form has been completed, access the 'Retirement Termination Pay Calculator' on the TRS website, if applicable.

| EMPLOYER CERTIFICATION  |  |
|---|--|
| Employee's Termination Date _____   | Vacation \$ _____ Sick \$ _____ Incentive \$ _____ Total \$ _____<br>Employee's Termination Pay Amount _____ |
| Will the employee contribution due on termination pay be remitted as tax-deferred? YES <input type="checkbox"/> NO <input type="checkbox"/>   |  |
| Please verify the following: (Do not include Termination Pay Amount)  |  |
| Base Contract Amount \$ _____   | Other Compensation \$ _____  |
| Explanation: _____  |  |
| <b>INSTRUCTIONS:</b> Please retain this 'Retirement Termination Pay' form in your office until the employee has terminated, all wages have been paid, and the termination pay amount has been determined. Through the Wages and Contribution Reporting (TRS On-Line) system, access the TRS 'Retirement Termination Pay Calculator'. Populate the required fields and calculate the employee and employer contribution due to TRS. Print the 'Retirement Termination Pay Calculator' screen. Attach the termination pay calculation screen print to the reverse side of this form using <u>clear tape only</u> . Return the 'Retirement Termination Pay' form and 'Retirement Termination Pay Calculator' screen to TRS at least one week prior to submitting your monthly contribution report to allow processing time necessary to minimize interruptions in validating and submitting your report. For assistance, please call 406-444-3324 or 406-444-4113. |  |
| Retain a copy of this completed form and termination pay calculation screen print for your records. Remit the contributions due TRS on termination pay by the 15 <sup>th</sup> of the month following the member's termination, or interest may be assessed.  |  |
| I certify that the above named member has terminated their employment and that all information reported is complete and correct. If the member has signed a Termination Pay – Irrevocable Election Form, unless otherwise required by law, the total termination pay amount payable to the member is reported; and that employee contributions will be withheld pursuant to IRC §414(h)(2) and Montana Code Annotated, §19-20-716. I also certify that the termination pay amount reported does <b>not</b> include deferred compensation as defined under IRC, 457(f).  |  |
| Employer's Printed Name _____   | Area Code & Telephone Number _____   |
| Certifying Officer's Printed Name & Title _____   | TRS Six-Digit Employer Number _____  |
| Certifying Officer's Signature _____  | Date _____   |



# RETIREMENT TERMINATION PAY CALCULATOR

The 'Retirement Termination Pay Calculator' is located on the TRS website and must be used to calculate the 'Employee Contribution due' and 'Employer Contribution Due' to TRS.

TRS provides step-by-step instructions for processing termination pay in Section 6 of the Employers' Manual, also located on the TRS website.

Montana TRS Web Contribution Reporting

Employer 999932 PUBLIC EDUCATION EMPLOYER

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Upload Contribution File to TRS

Copy Forward to New Period

Enter or Change Contribution Report

Enter or Change Adjustments

Contribution Report History

Add or Change Member

**Retirement Termination Pay Calculator**

Employer Contact Info

Member Contribution History

ACH Edit

ACH Report

Batch Summary Report

Log in to Different Employer

Working Retirees

Test

Logout

# RETIREMENT TERMINATION PAY CALCULATOR, Cont.

The TRS database presents a shell document of the 'Retirement Termination Pay Calculator' used to calculate the 'Employee Contribution Due' and 'Employer Contribution Due' on termination pay.

To begin:

Enter the 'Member' Social Security number and click 'Search'

**Retirement Termination Pay Calculator**

Member

888043168

Search

Employer

Date of Birth

Member Age

Retirement Date

First day of month after termination date (mmddyyyy)

Years of Service

Years of Buy Back Service Available

Total Service

Last Date of Employment

(mmddyyyy)

Termination Pay Amount

Termination Pay Option

FICA Withholding Amount

Medicare Withholding Amount

Calculate

| Termination Pay Option | Employee Contribution Rate | Employee Contribution Due | Employer Contribution Rate | Employer Contribution Due |
|------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
|                        |                            |                           |                            |                           |

Clear

Name Lookup

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# RETIREMENT TERMINATION PAY CALCULATOR, Cont.

The TRS database will present information relative to the retiring TRS member.

To calculate the 'Employee Contribution Due' and Employer Contribution Due' populate the following fields:

Retirement Date

Last Date of Employment

Termination Pay Amount

FICA Withholding Amount

Medicare Withholding Amount

When all the fields are populated,

Click 'Calculate'

**Retirement Termination Pay Calculator**

Member  DIMOND, CHERYL

Employer  TEST ELEMENTARY <<< TEST >>>

Date of Birth  Member Age

Retirement Date  First day of month after termination date (mmddyyyy)

Years of Service  Service Verified by TRS on 06/08/2010.

Years of Buy Back Service Available  Please contact the TRS

Total Service

Last Date of Employment  (mmddyyyy)

Termination Pay Amount

Termination Pay Option

FICA Withholding Amount

Medicare Withholding Amount

| Termination Pay Option | Employee Contribution Rate | Employee Contribution Due | Employer Contribution Rate | Employer Contribution Due |
|------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
| *Option 1              | 0.00                       | 0.00                      | 0.00                       | 0.00                      |

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

\*Employee Contribution Due Must Be Remitted By Member – Via Personal Payment.

No retirement application on file

# RETIREMENT TERMINATION PAY CALCULATOR, Cont.

The TRS database populates the calculator to reflect the 'Employee Contribution Due' and the 'Employer Contribution Due.'

In addition, the retiring member's 'Termination Pay Out-of-Pocket Calculation for Option 1' information is presented, if applicable.

In this example, as the reporting agent you must remit the 'Tax-Deferred' amount to TRS on your monthly contribution report.

The retiring member is required to remit a personal check to TRS representing their 'Out-of-Pocket Expense' to fund the increase in their monthly retirement benefit.

### Retirement Termination Pay Calculator

|  |             |  |                                       |
|--|-------------|--|---------------------------------------|
| Member                                   | 888-04-3168 | DIMOND, CHERYL                                       | <input type="button" value="Search"/> |
| Employer                                 | 999932      | TEST ELEMENTARY <<< TEST >>>                         |                                       |
| Date of Birth                            | 09/16/1949  | Member Age 61  |                                       |
| Retirement Date                          | 07/01/2012  | First day of month after termination date (mmddyyyy) |                                       |
| Years of Service                         | 33.48       | Service Verified by TRS on 06/08/2010.               |                                       |
| Years of Buy Back Service Available      |             | Please contact the TRS                               |                                       |
| Total Service                            | 33.48       |  |                                       |
| Last Date of Employment                  | 06/30/2012  | (mmddyyyy)   |                                       |
| Termination Pay Amount                   | 10,000.00   |  |                                       |
| Termination Pay Option                   | 1           |  |                                       |
| FICA Withholding Amount                  | 620.00      |  |                                       |
| Medicare Withholding Amount              | 145.00      |  |                                       |
| <input type="button" value="Calculate"/> |             |  |                                       |

| Termination Pay Option | Employee Contribution Rate | Employee Contribution Due | Employer Contribution Rate | Employer Contribution Due |
|------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
| Option 1               | 3.30                       | 11,048.40                 | 3.45                       | 11,550.60                 |

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

| Termination Pay Out-of-Pocket Calculation for Option 1 |           | An 'Out of Pocket Expense' represents the additional employee contributions due to fund an increase in the member's monthly retirement benefit. |
|--|-----------|---|
| Termination Pay Amount                                 | 10,000.00 |   |
| Less FICA Withholding Amount                           | 620.00    |   |
| Less Medicare Withholding Amount                       | 145.00    |   |
| Net Amount (Tax-Deferred)                              | 9,235.00  |   |
| Contributions Due TRS                                  | 11,048.40 |   |
| Out-Of-Pocket Expense                                  | 1,813.40  |   |

# RETIREMENT TERMINATION PAY CALCULATOR, Cont.

In this example, the TRS database indicates the member is eligible to purchase additional service credit in the 'Years of Buy Back Service Available' field.

The member must advise TRS and your office of their intent to purchase service.

If the member elects not to purchase service, delete the 'Years of Buy Back Service Available.'

**Retirement Termination Pay Calculator**

|  |  |  |                                       |
|--|--|--|---------------------------------------|
| Member                                   | <input type="text" value="888-60-1856"/> | CRUMP, TERI  | <input type="button" value="Search"/> |
| Employer                                 | <input type="text" value="999932"/>      | TEST ELEMENTARY <<< TEST >>>                         |                                       |
| Date of Birth                            | <input type="text" value="04/02/1945"/>  | Member Age   | <input type="text"/>                  |
| Retirement Date                          | <input type="text"/>                     | First day of month after termination date (mmddyyyy) |                                       |
| Years of Service                         | <input type="text" value="10.00"/>       | Service Verified by TRS on 01/19/2010.               |                                       |
| Years of Buy Back Service Available      | <input type="text" value="16.58"/>       | Please contact the TRS                               |                                       |
| Total Service                            | <input type="text" value="26.58"/>       |  |                                       |
| Last Date of Employment                  | <input type="text"/>                     | (mmddyyyy)   |                                       |
| Termination Pay Amount                   | <input type="text" value=".00"/>         |  |                                       |
| Termination Pay Option                   | <input type="text"/>                     |  |                                       |
| FICA Withholding Amount                  | <input type="text"/>                     |  |                                       |
| Medicare Withholding Amount              | <input type="text"/>                     |  |                                       |
| <input type="button" value="Calculate"/> |  |  |                                       |

| Termination Pay Option | Employee Contribution Rate | Employee Contribution Due | Employer Contribution Rate | Employer Contribution Due |
|------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
| *Option 1              | 0.00                       | 0.00                      | 0.00                       | 0.00                      |
| *Option 2              | 7.15                       | 0.00                      | 7.47                       | 0.00                      |

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

\*Employee Contribution Due Must Be Remitted By Member – Via Personal Payment.

No retirement application on file

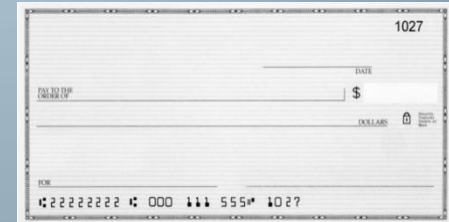
# RETIREMENT TERMINATION PAY FORM WITH SIGNED ELECTION FORM

If the retiring member elected termination pay Option 1 or Option 2, the gross amount of the termination pay will be subject to Social Security withholding.

However, Federal and Montana state income taxes will not be withheld from the 'Employee Contribution Due' being deducted from the termination pay.

The retiring member may not change the termination pay option election if a valid 'Termination Pay – Irrevocable Election Form' has been executed.

If the 'Employee Contribution Due' to TRS is greater than the net amount, after Social Security is deducted, the retiring member must remit a personal check, payable to TRS, for the 'Out-of-Pocket Expense' amount.



As the employer, you must provide a copy of the completed 'Retirement Termination Pay' form and the 'Retirement Termination Pay Calculator' screen shot to the member, highlighting the out-of-pocket expense amount. Advise the retiring member that they must remit the 'Out-of-Pocket Expense' to TRS by personal check.

# RETIREMENT TERMINATION PAY FORM WITH SIGNED ELECTION FORM, Cont.

Populate the employee tax-deferred contribution in the (Term Pay Contrib) column, the termination pay option elected in the (Opt) column, and the employer contribution due in the (Employer Term Pay) column on the Contribution Detail screen.


| Contribution Detail                          |             |                 |                    |                      |                  |                  |                       |                        |                  |                |                     |     |                      |                 |
|--|-------------|-----------------|--------------------|----------------------|------------------|------------------|-----------------------|------------------------|------------------|----------------|---------------------|-----|----------------------|-----------------|
| Agency 999999 A MONTANA SCHOOL Period 6 2012 |             |                 |                    |                      |                  |                  |                       |                        |                  |                |                     |     |                      |                 |
| Member<br>SSN                                | Name        | Actual<br>Wages | Current<br>Contrib | Calculate<br>Contrib | Service<br>(FTE) | Monthly<br>Hours | Additional<br>Contrib | Employer<br>Additional | Member<br>Status | Action<br>Code | Term Pay<br>Contrib | Opt | Employer<br>Term Pay | Entry<br>Number |
| 999-99-9999                                  | Smith, Jane | 15,261.75       | 1,091.22           |                      | 1.00             |                  |                       |                        | Full Time        |                | \$4,617.50          | 1   | \$5,265.00           | 1               |

‘Save’ the document and click the ‘Contrib Summary’ button.



# RETIREMENT TERMINATION PAY FORM WITH SIGNED ELECTION FORM, Cont.

| Contribution Summary |           |                       |                  |                     |   |
|----------------------|-----------|-----------------------|------------------|---------------------|---|
| Agency               |           | 999999                | A MONTANA SCHOOL |                     | Period 06 2012  |
| TRS Employees        | 1         | Add'l Emplr Contrib   | 0.00             | # of Report Periods | 1   |
| Total FTE            | 1.0       | Employer Term Pay     | 5,265.00         | Final Year-End Rpt  | Yes   |
| Total FTE Hours      | 140       | TIAA CREF Contrib     | 0.00             | TIAA CREF Earnings  | .00   |
| Earnings             | 15,261.75 | Total Empr Contrib    | 5,265.00         | Pay Period Date     | 06/30/2012  |
| Regular Contribution |           | Total Due This Rpt    | 12,113.77        | Date Edited         | 07/15/2012  |
| Additional Contrib   | 4,617.50  | Remitted This Report* | 12,113.77        | Date Posted         | 07/15/2012  |
| Member Contrib       | 1,091.22  | Report Over+/Short-   | 0.00             | Edit Status         |   |
| Employer Contrib     | 1,140.05  | Over/Short Balance    | 0.00             | Post Status         | Posted  |
| Starting Entry No.   |           | Starting With         |                  | Copy to New Period  | <input type="checkbox"/> <input type="checkbox"/> <input type="button" value="Copy"/> |
|                      |           | Detail Sequence       | Name             |                     |   |



Click the 'Validate Contributions' button to populate the employee 'Tax-Deferred Contribution' in the 'Additional Contrib' field, and the 'Employer Contribution Due' in the 'Employer Term Pay' field.



# RETIREMENT TERMINATION PAY FORM WITHOUT SIGNED ELECTION FORM

If the retiring member has not signed a 'Termination Pay – Irrevocable Form' and elected termination pay Option 1 or 2, the 'Employee Contribution Due' on termination pay will not be tax-deferred.

The net amount of the termination pay is made payable directly to the retiring member. Federal, Montana state, and Social Security taxes will be withheld from the gross amount of termination pay.

As the employer, you must provide the retiring member a copy of the completed Retirement Termination Pay form, highlighting the out of pocket expense amount. The retiring member is to be advised they must remit the 'Employee Contribution Due' to TRS by personal check.

The 'Employer Contribution Due' must be included on the monthly report under the 'Employer Term Pay' column of the Contribution Detail screen. This information will be presented on the 'Contribution Summary' page in the 'Employer Term Pay' field.

| Contribution Detail            |             |                 |                    |                      |                  |                  |                       |                        |                  |                |                     |                             |                 |
|--------------------------------|-------------|-----------------|--------------------|----------------------|------------------|------------------|-----------------------|------------------------|------------------|----------------|---------------------|-----------------------------|-----------------|
| Agency 999999 A MONTANA SCHOOL |             |                 |                    |                      |                  |                  |                       |                        |                  | Period 06 2012 |                     |                             |                 |
| Member<br>SSN                  | Name        | Actual<br>Wages | Current<br>Contrib | Calculate<br>Contrib | Service<br>(FTE) | Monthly<br>Hours | Additional<br>Contrib | Employer<br>Additional | Member<br>Status | Action<br>Code | Term Pay<br>Contrib | Employer<br>Term Pay<br>Opt | Entry<br>Number |
| 999-99-9999                    | Smith, Jane | 15,261.75       | 1,091.22           |                      | 1.00             |                  |                       |                        | Full Time        |                |                     | \$5,265.00                  | 1               |

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In addition, the employee contributions on termination pay may be limited under Internal Revenue Code (IRC) Section 415(c). Please contact the TRS office to determine if a limitation applies.

Thank you for taking the time to view the 'Employers' Retirement Termination Pay' tutorial. The information provided in this tutorial is for educational purposes only. It is intended to provide basic information about the services and benefits provided by the Montana Teachers' Retirement System under the laws and rules applicable as of the date of production.



1-866-600-4045 (Toll Free)  
406-444-3134